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BEFORE THE ARIZONA CORPORATION COMMISSION

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2017 MAY 17 P 4 45

COMMISSIONERS

TOM FORESE - CHAIRMAN
BOB BURNS
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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
A HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN.

DOCKET NO. E-01345A-16-0036

IN THE MATTER OF FUEL AND PURCHASED
POWER PROCUREMENT AUDITS FOR
ARIZONA PUBLIC SERVICE COMPANY

DOCKET NO. E-01345A-16-0123

Arizona Corporation Commission

DOCKETED

MAY 17 2017

DOCKETED BY

ConservAmerica's Opening Brief

May 17, 2017

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1 REP America d/b/a/ ConservAmerica ("ConservAmerica") requests that the Commission
2 approve the Settlement Agreement in this docket.

3 **I. The Settlement Agreement is widely-supported, is just and reasonable, and will help**
4 **Arizona move towards its energy future.**

5 There are many parties to this case, representing diverse interests and viewpoints. The
6 disputed issues were many—some of them heated, some mind-numbingly complex, some esoteric,
7 and some critically important to Arizona's future. There were mountains of pre-filed testimony
8 addressing it all. Few had any hope that with this many parties and issues, the case could ever
9 settle. But, remarkably, most parties were able to reach a settlement.

10 It wasn't easy. There were many long meetings. All parties had the chance to participate,
11 and many did participate.¹ The process was open and inclusive, and all viewpoints were heard.²
12 The settling parties represent many divergent interests and differing perspectives.³

13 The Settlement Agreement is in the public interest. It approves a moderate and balanced
14 rate increase. It marks, in essence, a peace treaty in the long conflict between APS and parts of the
15 solar industry.⁴ And, crucially, as Arizona faces rapid technological and societal changes in the
16 energy sector, the Settlement Agreement provides a reasonable path forward towards a zero-
17 emissions energy future for Arizona. From ConservAmerica's perspective, it does so in two
18 critical ways. First, as ConservAmerica's Executive Director, Paul Walker, explained, it "makes a
19 giant leap forward in rate design" including requiring "new customers to at least test [a] 21st
20 Century rate design."⁵ Second, the Settlement Agreement starts to bring fairness to rooftop solar,
21 allowing low and moderate income Arizonans access to a resource that is now rare in their
22 communities.⁶

23
24 ¹ Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017 at 1:24 to 2:6.

25 ² Id.

26 ³ Id. at 2:12-13.

27 ⁴ Id. at 2:13-21.

⁵ Id. at 2:24-25.

⁶ Id. at 3:3:4-21.

1 **II. The Settlement Agreement's modern rate design will reduce costs and emissions**
2 **while increasing fairness.**

3 The current two-part rate design is broken. Rooftop solar and other new technologies
4 bring great benefits, but they decrease billed kilo-watt hours (kWh) without reducing the fixed
5 costs of the utility system.⁷ A rate design focused on kWh therefore shifts these fixed costs from
6 wealthier rooftop solar customers to poorer non-solar customers.⁸ This makes no sense from a
7 social equity standpoint, or from a cost causation standpoint.

8 A different rate design is needed, one that comports the changing reality of the electric grid
9 in Arizona. In addition to being fairer than the outdated traditional rate design, the new rate
10 design will also reduce costs and emissions. It does so because TOU rates and demand rates will
11 change customer behavior, thus reducing system peak and creating cost savings for everyone, as
12 Director Abinash explained.⁹ Reducing peak use will have a strong and disproportionate impact on
13 reducing emissions, because peaker resources are some of the least efficient from an emissions
14 standpoint.¹⁰ And reducing the peak also saves costs, such as avoiding expensive ancillary
15 services.¹¹

16 Moreover, TOU rates and demand rates offer customers multiple ways to save money. As
17 SWEEP's witness, Mr. Schlegel conceded, TOU rates allow customers to control their bill in three
18 ways:

- 19 • By reducing their overall kWh.¹²
- 20 • By shifting some of their use "from an on peak hour to an off-peak hour."¹³
- 21 • Through the lower basic service charge compared to the traditional volumetric rate.¹⁴

22 ⁷ Exhibit ConservAmerica-2, Rate Design Testimony of Paul Walker, February 3, 2017, at pages
23 2-6 and 10-11.

24 ⁸ Id. at 15:12-19.

25 ⁹ Tr. at 1264:18-1265:11.

26 ¹⁰ Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017, at 4:1 to 5:7.

27 ¹¹ Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017 at 5:9 to 10:13.

¹² Tr. at 1151:4-7.

¹³ Tr. at 1151:8-11.

¹⁴ Tr. at 1151:12-19.

1 Mr. Schlegel also admitted that a demand rate provides four ways for customers to control their
2 bills:

- 3 • By reducing their total kWh.¹⁵
- 4 • By reducing their peak kilowatt demand.¹⁶
- 5 • By shifting some of their use to off-peak hours.¹⁷
- 6 • Through the lower basic service charge compared to the traditional volumetric rate.¹⁸

7 The settlement rate design, with its emphasis on TOU and demand rates, is an important step
8 forward to a modernized rate design, and will reduce emissions and costs, while being fairer and
9 better aligning costs to cost causation.

10 Some opponents of the settlement try to portray these virtues as vices. Opponents such as
11 AARP and SWEEP object to the \$15 basic service charge for the traditional R-Basic rate design,
12 and the 90 day trial period for new customers. Both of these features are important to realizing the
13 benefits of the settlement rate design.

14 The higher basic service charge provides an incentive for customers to choose a modern
15 rate design, such as TOU or demand rates. This is consistent with the UNS Electric rate case,
16 where the Commission approved a differential in the basic service charge to “encourage customers
17 to move towards these TOU and demand rates”, as AARP witness Coffman admitted.¹⁹ In
18 addition, because the R-Basic rate design is an old-fashioned rate design that recovers most fixed
19 costs through the volumetric kWh charge, a higher basic service charge is necessary to ensure
20 some portion of fixed costs are recovered.²⁰ Moreover, the \$15 basic service charge is the same as
21 the \$15 for UNS Electric, and is less than the \$20 basic service charge for the comparable SRP

22
23
24 ¹⁵ Tr. at 1152:10-12.

25 ¹⁶ Tr. at 1152:5-9.

26 ¹⁷ Tr. at 1152:13-15.

27 ¹⁸ Tr. at 1152:16-21.

¹⁹ Tr. at 707:10-19.

²⁰ Exhibit ConservAmerica-4, Reply Testimony of Paul Walker, April 17, 2017, at 5:14 to 6:9.

1 rate.²¹ Finally, a majority of customers will see a reduction in their basic service charge if the
2 Settlement Agreement is approved, a point even Mr. Schlegel does not dispute.²²

3 Likewise, the 90 day trial period for new customers is an important way to increase use of
4 TOU and demand rates. Many customers remain on the out-of-date traditional rate plans, not
5 through an active choice, but rather through sheer inertia or inattention.²³ The trial period
6 provides a modest start to addressing that problem, for new customers only. And providing
7 customers with some experience on these rates—after customer education—is beneficial because
8 many customers will save on these rates. Further, the more customers that move onto these rates,
9 the greater the benefits—lower costs, reduced emissions, and reduced inequities. And as Mr.
10 Abinah explained, “[w]hen a new customer comes into APS service territory, there’s no
11 information, there’s no usage, there’s no data. So we don’t know what rate structure to put them
12 on. So we are recommending 90 days to allow the customers to have the usage information, and
13 at that point determine which rate structure is better for them.”²⁴

14 In short, the settlement rate design is more modern, fairer, and will promote reductions in
15 costs and emissions. It should be approved.

16 **III. The AZ Sun II program will start to democratize rooftop solar.**

17 Together with utility-scale solar, storage, and other new resources, rooftop solar will be a
18 key resource in moving towards a reduced emissions—and eventually zero emissions—future.
19 This key resource has been heavily subsidized, and for good reason. But the benefits have flown
20 to the wealthiest. Mr. Walker described this as a “reverse Robin Hood” problem.²⁵ Indeed, 95%
21 of rooftop solar installations are in the wealthiest 60% of American households.²⁶ The problem is
22 not just a national one, it applies here in Arizona. Mr. Walker starkly illustrated this problem,

23
24 ²¹ Id. at 8:17 to 9:4.

25 ²² Tr. at 1153:12 to 1154:16.

26 ²³ Exhibit ConservAmerica-4, Reply Testimony of Paul Walker, April 17, 2017, at 11:1-3.

27 ²⁴ Tr. at 1268:14-21.

²⁵ Exhibit ConservAmerica-1, Direct Testimony of Paul Walker, December 22, 2016, at 9-14.

²⁶ Id. at 9:21-23.

1 demonstrating that the wealthiest neighborhoods in APS's service territory have a solar
2 penetration rate of 2.99%, while the poorest neighborhoods are at only 0.82%.²⁷ As Mr. Walker
3 explained: "... in the poorest zip codes n APS' service area, you are more than 12 times more
4 likely to be on bill assistance than your rich co-customers. Your rich co-customers make nearly
5 six times more money than you, and they are nearly four times more likely to get solar on their
6 rooftop so they can pay for less electricity than you."²⁸ The subsidized benefits of rooftop solar
7 have benefited those that need it the least. Something has to change.

8 The AZ Sun II program provides a small but good start at broadening access to rooftop
9 solar in Arizona. The program is directly focused on low and moderate income Arizonans, with
10 65% of the funds dedicated to low income customers, and the remainder available for either low or
11 moderate income customers.²⁹

12 **IV. Conclusion.**

13 Arizona has rightly been at the forefront of solar, as one the leaders in both utility-scale
14 projects and in rooftop solar. As a result, Arizona's electrical grid—and how customers use that
15 grid—is changing rapidly. These changes have resulted in turbulent battles between the solar
16 industry and APS, battles this settlement will put to rest. And while the old fashioned kWh rate
17 design worked well enough in the past, different rate designs are needed as these changes
18 accelerate. Demand and TOU rates are fairer, better aligned with costs, and will reduce costs and
19 emissions in this new reality. Finally, these changes have left many poorer neighborhoods behind,
20 with rooftop solar concentrated in wealthier areas. The settlement begins to address this problem
21 with the AZ Sun II program. ConservAmerica asks the Commission to approve the Settlement
22 Agreement in full.

26 ²⁷ Exhibit ConservAmerica-3, Testimony of Paul Walker, April 3, 2017 at 12:13 to 13:19.

27 ²⁸ Id. at 13:15-19.

²⁹ Id. at 11:15-22.

1 RESPECTFULLY SUBMITTED this 17th day of May, 2017.

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